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May 20, 2005

BY OVERNIGHT COURIER AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following information requests of the Attorney General:

AG-1-30 AG-03-01 AG-03-24 AG-03-31

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Caroline O'Brien Bulger, Esq., Hearing Officer (1 copy)
A. John Sullivan, DTE (7 copies)
Andreas Thanos, Ass't Director, Gas Division
Alexander Cochis, Assistant Attorney General (4 copies)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-27

Date: May 20, 2005

Responsible: Joseph A. Ferro, Manager Regulatory Policy

AG 1-30: Please provide the total revenues received from the rental of appliances. Please describe the types of appliances rented and whether the Company is treating such revenues above or below the line. In addition, describe the method of allocating expenses to the appliance rental program.

Response: The Company rents water heaters and gas furnaces to customers. These items are considered to be above the line revenues for the company (included in account 488 on Page 43 – line 15 of the 2004 Annual Report). The total revenues recorded from these rental agreements for the test year are as follows:

Hot water heaters	\$4,859,235
Furnaces	\$1,725,262
Rental Rev Late Payment	<u>\$239,957</u>
TOTAL	\$6,824,454

Expenses associated with these programs include:

- Labor
- Parts
- Payroll overheads – benefits/payroll taxes
- Lease/depreciation of assets
- Uncollectible expense

Bay State uses specific account classifications for charging employee work time and parts associated with this program. These costs as well as the lease/depreciation and uncollectible expenses are direct costs – no allocations are needed.

At the end of each month, Accounting allocates payroll overheads and debits expense accounts assigned to the rental programs and credits Account 922. This methodology is consistent with the way payroll overheads are allocated for capitalized labor or labor charged for work done for affiliates.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: May 20, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-03-01 Referring to Exhibit BSG/JES-1, Workpaper JES-6, page 4, lines 1-15, for 2004 Payroll Overtime, please provide a schedule similar to this one to calculate the monthly adjustments for straight time wages for the test year.

Response: The adjustment for straight time wages for the test year was calculated on an annual basis and monthly adjustments were not computed.

Please refer to Exhibit BSG/JES-1, Workpaper JES-6, page 2 of 31. For each union, this schedule shows the test year straight time wages and the annual wages as of December 2004. The difference between the two amounts, \$311,361, is shown on line 4. This adjustment is not available on a monthly basis.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: May 20, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-3-24 Referring to Exhibit BSG/JES-1, Workpaper JES-6, page 28, please provide a complete and detailed description of the nature of the "Co. 12 Charges" indicated in Column (8).

Response: Company 12 is an internal term to identify NiSource Corporate Services Company ("NCSC"). The "Co. 12 Charges" shown in column (8) of Exhibit BSG/JES-1, Workpaper JES-6, page 28, include all charges that are billed by employees directly to a Company job order with 12 as the Company billed. The job order with Company 12 is used for all expenses that directly benefit and support the actual functions of Company 12, or in other words, NCSC. For example, employees who work on accounting for NCSC charge their labor to a job order with 12 as the Company billed. Also, any expenses, such as travel or office supplies incurred by these employees would be billed to a job order with 12 as the Company billed.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: May 20, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-03-31 Referring to Exhibit BSG/JES-1, Schedule JES-8, page 3, line 2, please indicate the number of METSCAN devices that were in service for each rate class as of the end of the test year in this case.

Response: A field review was conducted as of 2-28-05 to determine the number of Metscan devices in service. The results of the review showed that 2,290 traditional and 175 daily metering Metscan units were in-service at this time for Bay State. The \$3,121,366 retirement was made to reflect these numbers of units. Please see Bay State's response to AG-3-32 for a detailed description of the retirement.